



COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

APPROVED AMENDED SUMMARIZED MINUTES

January 9, 2014

4:00 p.m.

City Hall, Kiva Conference Room
3939 N. Drinkwater Blvd, Scottsdale, AZ 85251

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- PRESENT:** Mayor W.J. "Jim" Lane
Councilman Dennis Robbins
Councilwoman Linda Milhaven
- STAFF:** Paul T. Katsenes, Executive Director, Community & Economic Development
Danielle Casey, Director, Economic Development
Kelly Ward, Sr. Assistant City Attorney
William Hylan, Assistant City Attorney
Rob Millar, Economic Development Manager, Business Attraction
- GUESTS:** Doug Sydnor, Architect - Gensler
Marc Grayson, President – Industrial Development Authority
Gary Drummond, Attorney – Industrial Development Authority

Call to Order/Roll Call

Mayor Lane called the regular meeting of the Council Subcommittee on Economic Development to order at 4:02 p.m. A formal roll call confirmed members present as stated above, noting the presence of a quorum.

1. Approval of December 12, 2013 Minutes

COUNCILWOMAN MILHAVEN MOVED TO APPROVE THE MINUTES OF THE DECEMBER 12, 2013 MEETING OF THE COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT AS PRESENTED. COUNCILMAN ROBBINS SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF THREE (3) TO ZERO (0).

2. Industrial Development Authority Update and Community Development Finance Association Conference Sponsorship Announcement

Gary Drummond provided some background on the Scottsdale Industrial Development Authority (IDA), which is celebrating its 30th anniversary this year. The IDA is a separate non-profit corporation designated as a political subdivision of the State of Arizona. It was established to develop businesses and industries and create job opportunities in Scottsdale. By law, the IDA has the authority to issue bonds. The funds are then loaned to borrowers for particular projects. Bonds are secured by project revenues, real property, capital improvements, personal property, etc. The IDA and the City are exempt from any liability, and the full faith and credit of the City is not pledged for the bonds. The IDA must bear the City's name. The City Council appoints the IDA Board and approves the IDA's proceedings to issue bonds, but does not approve the actual bonds.

Mr. Drummond explained that the IDA has issued over \$1.1 billion in bonds for over 27 projects during its history, including funding for Scottsdale Healthcare, Notre Dame High School, and Westminster Village. The IDA Board consists of seven members who serve six-year terms. Each year, the Board elects a President, Vice President, Secretary and Treasurer. Applicants are required to pay an annual fee in the amount equal to one tenth of one percent of the bond issue. Bonds can be issued in Arizona for projects both within and outside the state. New legislation is being discussed that would broaden the types of projects for which the IDA could issue bonds.

By law, each municipality and county in Arizona is authorized to form one IDA. Because IDAs are not limited to approving projects within their municipalities or counties, applicants have many options available to them. Applicants must consider a number of factors, including closing fees and annual charges. In order to make Scottsdale's IDA more competitive, fees can be negotiated, and bonds can be issued for projects located outside the City. An effort is underway to raise awareness of the Scottsdale IDA.

Mr. Drummond stated that the IDA's fees are utilized for a number of purposes, including the covering of expenses. The Scottsdale IDA has no staff or office, but retains the services of an accountant and a lawyer. The funds are used to cover grants for different types of projects. The IDA has contributed money to Scottsdale Healthcare's RADAR program, the Senior Meal Delivery Program, and Scottsdale Training and Rehabilitation Services. Recently, the IDA provided money in the form of a job relocation and assistance grant to help Stonegate Mortgage locate to Scottsdale. Ms. Casey clarified that Stonegate will only receive the funds once they have proven the hiring of permanent employees in the community.

Mr. Drummond said Scottsdale has secured the Council of Development Finance Agencies (CDFA) National Summit. The CDFA is a national association dedicated to helping state and local finance agencies promote job creation and economic growth. They lobby Congress to preserve federal legislation that allows for the issuance of bonds on a tax-exempt basis, and provide counsel on private/public partnerships and other financings. About 310 attendees are expected over a four-day period. The first day will feature an Arizona Economic Roundtable. Planning is underway for the November summit. The CDFA is obligated to hold the summit at a Scottsdale hotel. The hope is that Scottsdale will become part the regular rotation to host the annual event.

Mayor Lane inquired about the value of having Scottsdale's name attached to the IDA. Mr. Drummond responded that Scottsdale enjoys recognition among bond purchasers. Some IDAs do actively search for projects outside their jurisdiction. He explained that while bonds for projects in other states do not provide employment in Arizona, they do generate fees that could be used by Scottsdale to fund economic development. Mayor Lane expressed concern that risky projects could harm Scottsdale's reputation should they fail.

Mayor Lane requested a prognosis for the continued tax-exempt status of revenue bonds. Mr. Drummond explained that this battle occurs every year as Congress looks to balance the budget. The CDFA has worked hard to preserve tax exemption. He noted that hundreds of billions of dollars of infrastructure have been built in the U.S. with tax-exempt bonds. These projects were financed without incurring public debt, by private investors who are confident that the bonds will be repaid by project revenues and are willing to take a lesser interest rate that is tax-exempt. Tax-exempt bonds are great economic development tools that can be issued without taking into consideration the bond rating capacity of the city.

Mr. Katsenes noted that Economic Development has recognized the importance of re-elevating the City's relationship with the Scottsdale IDA. The IDA's Board Members, Mark Grayson, Ron Finkel, Jon Musial, Marc Blonstein, Russ Kolsrud, Bob Johnson and Jay Berens, are engaged and committed.

Mr. Grayson said the IDA provides a very powerful financing tool that can encourage the bond community to bring their issuances to Scottsdale and help them do so in an expedient and cost-effective manner. Mayor Lane inquired whether non-profits are evaluated for need. Mr. Grayson explained that the Board is very thoughtful about that, and does take the time to scrutinize applicants and their proposals to ensure that they will have the desired impact, and not send money to organizations that do not have the need. Mayor Lane cautioned that if money was granted to a favored few in spite of the financial condition, it would raise some questions on how the City is operating. Mr. Drummond said the IDA also funds social and cultural initiatives, such as the Senior Meal Delivery Program when a need is demonstrated.

Mayor Lane said while the separation between the City and the IDA reduces risk liability, there is still an association between the two that could cause controversy if the money were spent in unjustifiable ways. Mr. Grayson stated that the Board wants to avoid that problem as well. Members volunteer because they believe in what they are doing. They have had numerous conversations on this very subject and every approved project has to pass the test of being publicly defensible. Councilwoman Milhaven felt the IDA should avoid projects that are done simply for the fees, and which are neither mission-based nor contribute to the economy of Scottsdale.

Mayor Lane inquired about plans to make the Scottsdale IDA more visible and competitive. Mr. Grayson said that as the IDA becomes more comfortable with its ability to perform, word of mouth begins to filter through the bond community, which is very small. Councilman Robbins queried whether the IDA is involved in the Economic Development five-year strategic plan process. Ms. Casey responded that the IDA is on the interview list. Mr. Grayson noted that an IDA is only one way to set up a Council-approved financing district. As the market continues to recover, tax-exempt financing will become increasingly attractive to many investors.

3. Greater Phoenix Economic Council (GPEC) Silicon Valley Roadshow

Danielle Casey, Economic Development Director, reported that GPEC has just launched a new roadshow initiative to engage with target industries through trade shows, site selection conferences and market visits. The first roadshow occurred in Silicon Valley. GPEC did considerable data mining to identify CEOs and clients that they could reach out to about relocating or expanding into the greater Phoenix area. The reception targeted startup technology firms, and leveraged the presence of Valley mayors as the hook to get people to attend. The Silicon Valley reception was a pilot event, and others are planned for Vancouver, Los Angeles, Chicago, and New York.

Mayor Lane said he was joined by the mayors of Avondale and Tempe at the reception. The people who attended were serious potential candidates for relocation who were eager to speak to the mayors. They were very interested in the kinds of product that Scottsdale has to offer. Ms. Casey added that GPEC prepared a wealth of useful information about state, regional and local economies. About 40 people attended. Cactus League games were offered as incentives to get the attendees to visit the market. These in-person visits make a huge difference. The roadshow resulted in seven qualified leads, and one executive will visit next

week. Councilman Robbins proposed that candidates be offered a choice of events to pick from during their market visits.

Ms. Casey said attending the event cost the City approximately \$1,500. That expense can be quickly recovered with only one CEO site visit or corporate event. If a business creates jobs in the region, the return on investment is enormous. Mayor Lane acknowledged the multiplier effect of increasing the exposure of Scottsdale and the Valley. Ms. Casey said staff is working to convert leads into projects.

4. Economic Development Report

Kelly Ward introduced Bill Hylen who will be offering legal support to the Economic Development Subcommittee and Economic Development department.

Danielle Casey reported that staff is working with the City's IT Department to update the choosescottsdale.com website while staying within the City's existing resources. Improvements are being made to the websites aesthetics, features, security and departmental information. The site will be more interactive, using a news feed, Twitter feed, newsletter archives, search engine optimization, and possibly Google Ad Words in the future. The soft launch is scheduled for February 3. Staff is also working with the marketing/communications team on how to make the website part of a central portal to provide an economic snapshot of Scottsdale that features data sets from different departments.

Ms. Casey said the Industry Week Site Selection Round Table is moving to the Scottsdale area. Site selectors help companies relocate and identify locations. The group holds three different conferences per year, and they recently chose to move their Arizona meeting from Tucson to Scottsdale.

The Economic Development team is exploring the use of Community Development Block Grant (CDBG) funds for façade improvement programs in Downtown and the McDowell corridor, for businesses that want to take advantage of matching grants.

Ms. Casey reported that the popularity of the Coffee with ED meetings has been growing, so staff is adding more of them. The Five Year Tourism Development and Marketing Strategic Plan implementation is moving forward. The Tourism Advisory Task Force has met three times, and their war room has been set up. The City Council will receive an update on their activities during a February work study session. Staff is working with PLACES Consulting to finalize the scope of the economic analysis feasibility study, which should be finished by the end of the month. There is an initiative inside the City organization to streamline the special events process.

Ms. Casey said the Subcommittee will receive an update on progress in the McDowell Corridor at the February 13th meeting. She reviewed a timeline of the Economic Development Strategic Plan process. Final approval will be requested at the May 13th City Council meeting.

5. Open Call to the Public (A.R.S. §38-431.02)

None.

6. Future Agenda Items

None.

Adjournment

With no further business before the Subcommittee, the meeting adjourned at 5:24 p.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.

6. Open Call to the Public (A.R.S. §38-431.02)

None.

7. Future Agenda Items

None.

Adjournment

With no further business before the Subcommittee, the meeting adjourned at 5:26 p.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.